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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000307

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SUBJECT: MCC VP HEWKO DRIVES HOME COST OF BAD ELECTIONS

REF: YEREVAN 0300

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Classified By: CDA A. F. Godfrey for reasons 1.4 (b, d).

SUMMARY

¶1. (C) During his March 8-9 visit to Yerevan, MCC Vice President for Operations John Hewko praised Armenia's implementation of the MCC Compact while sending a clear message that in order to remain eligible for funding, elections in May must be a "significant improvement towards full compliance with international standards." All of Hewko's Armenian interlocutors, including the Prime Minister, Foreign Minister, and Parliament Speaker, recognized the conditionality of the MCC funding. Opposition politicians shared their recurrent complaints with Hewko, but were divided over whether MCC should actually cut the cash, given what they see as the inevitability of flawed elections. Hewko's visit was timely, and his message was clearly delivered and clearly received. His public message was covered broadly and objectively (ref). End Summary.

GOVERNING COUNCIL: GOOD IMPLEMENTATION, BAD POLITICS

¶2. (C) During his meeting with the MCA-Armenia Governing Council, Hewko conveyed his full satisfaction with the MCA-Armenia program's implementation, but underscored that the program was at risk of suspension or termination if Armenia failed to reverse declines in the MCC "Ruling Justly" indicators. A critical test would be how the GoAM prepared for and conducted the upcoming parliamentary elections. (NOTE: The Governing Council is chaired by Prime Minister Andranik Markarian and includes the ministers of Territorial Administration, Finance and Economy, Agriculture, Transportation and Communications, and the President's chief economic advisor, as well as five representatives of civil society. END NOTE.) Markarian said he understood that Armenia's continued eligibility for funding under the MCC was closely linked to its democratic reform.

¶3. (C) Immediately following the MCA-Armenia Governing Council meeting, Hewko, Charge d'Affaires, and MCC Resident Country Director Alex Russin met with the Prime Minister privately to seek assurance that Hewko's message would be relayed to President Kocharian. The Prime Minister confirmed this and acknowledged the vital importance of free and fair elections. (NOTE: On March 2, MCC CEO John Danilovich sent a formal letter to President Kocharian with the same message.

END NOTE.)

DON'T LIKE FREEDOM HOUSE? GO TALK TO THEM

14. (C) During his meeting with National Assembly Speaker Tigran Torosian, Hewko again stressed the conditionality of the MCC funding and its linkage to the elections. Torosian outlined several of the constitutional improvements related to the election process that Armenia had made but also assumed a more defensive posture than the Prime Minister, questioning Freedom House's motives and its role in forming the MCC Ruling Justly indicators. Hewko responded that MCC used Freedom House for all 25 MCC-compact eligible countries, and that Armenia was not singled out. He also told Torosian that MCC had facilitated a meeting between Armenia's Ambassador in Washington and Freedom House to discuss Armenia's progress and areas where improvements were necessary. Hewko invited Torosian to take advantage of this opportunity to engage Freedom House directly.

OSKANIAN HEARD THE SAME MESSAGE IN WASHINGTON

15. (C) Foreign Minister Vartan Oskanian told the delegation that he had discussed MCC eligibility and the upcoming elections during his recent meeting with Secretary Rice in Washington. Hewko briefed Oskanian on his meetings with Torosian and the MCA-Armenia Governing Council, and reiterated the message about the conditionality of MCC funding.

OPPOSITION PARTIES DIVIDED OVER WHETHER TO CUT FUNDING

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16. (C) Opposition politicians complained about election fraud and government pressure during a March 9 roundtable with Hewko, but two of three said they would not advocate cutting MCC funding in response to flawed elections. Hewko told the politicians -- National Unity's Artashes Geghamian, Republic Party's Aram Sargsian and People's Party's Stepan Demirchian -- that MCC would watch the election "very closely," and asked what an appropriate response would be, should the elections be compromised. "I will never say, Don't help our people," Demirchian said, vaguely noting that the USG had "other levers" to influence the government. Sargsian disagreed, saying that "the real Millennium Challenge is the government, not poverty and bad roads." Sargsian asked Hewko not to impose double standards. "When elections are worsening, every time you say they are a step forward. Everyone knows elections are worse and worse," he said. Sargsian said MCC should withhold assistance if Armenia doesn't meet the standards.

COMMENT

17. (C) While Hewko was not the first senior USG official to visit Yerevan with the message of MCC funding conditionality, his visit was very timely. Hewko's interlocutors appeared to understand that the funding was on the line and that MCC would not waste resources by sending a senior official to Yerevan if it were not fully prepared to suspend the program in the event of fraudulent elections. While we regret that President Kocharian did not make time to meet with Hewko, but we are sure that the message got through loud and clear.
GODFREY